

**CITY OF KNOXVILLE**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**June 30, 2014**

## Table of Contents

	<u>Page</u>	
Officials. ....	3	
Independent Auditor’s Report. ....	5-7	
Management’s Discussion and Analysis. ....	8 -13	
Basic Financial Statements:		
	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position. ....	A. ....	16-17
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and		
Changes in Cash Balances. ....	B. ....	18-19
Reconciliation of the Statement of Cash Receipts,		
Disbursements and Changes in Cash Balances to		
the Cash Basis Statement of Activities and Net Position. ....	C. ....	20
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and		
Changes in Cash Balances . ....	D. ....	21
Reconciliation of the Statement of Cash Receipts,		
Disbursements and Changes in Cash Balances to		
the Cash Basis Statement of Activities and Net Position. ....	E. ....	22
Notes to Financial Statements. ....		23-35
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements		
and Changes in Balances - Budget and Actual (Cash Basis) -		
All Governmental Funds and Proprietary Funds. ....		38-39
Notes to Other Information -		
Budgetary Reporting. ....		40
Supplementary Information:		
	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in		
Cash Balances - Nonmajor Governmental Funds. ....	1. ....	42-43
Schedule of Cash Receipts, Disbursements and Changes in		
Cash Balances - Internal Service Funds. ....	2. ....	44
Schedule of Indebtedness. ....	3. ....	46-47
Bond and Notes Maturities. ....	4. ....	48-49
Schedule of Receipts by Source and Disbursements by Function -		
All Governmental Funds. ....	5. ....	50-51
Schedule of Cash Receipts, Disbursements and Changes in		
Cash Balances - Capital Projects. ....	6. ....	52-53
Independent Auditor’s Report on Internal Control Over Financial		
Reporting and on Compliance and Other Matters Based on an		
Audit of Financial Statements Performed in Accordance with		
<i>Government Auditing Standards</i> . ....		54-55
Schedule of Findings. ....		56-61

**CITY OF KNOXVILLE**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 1, 2014)</b>		
Donald Zoutte, Sr. ....	Mayor. ....	Jan 2014
Elsie Kemp.....	Mayor Pro-Tem . ....	Jan 2014
Dave Roozeboom.....	Council Member. ....	Jan 2014
April Verwers.....	Council Member. ....	Jan 2016
Carolyn Formanek. ....	Council Member. ....	Jan 2016
Tim Pitt. ....	Council Member. ....	Jan 2016
Harold Stewart.....	City Manager.....	Indefinite
Heather Ussery.....	City Clerk. ....	Indefinite
Jodi Bassett. ....	Deputy Clerk/Admin. Assistant.. ....	Indefinite
Robert Stuyvesant. ....	Attorney.....	Indefinite

**(After January 1, 2014)**

Brian Hatch. ....	Mayor. ....	Jan 2016
Carolyn Formanek. ....	Mayor Pro-Tem.....	Jan 2016
Dawn Allspach-Kline.....	Council Member. ....	Jan 2018
Dave Roozeboom.....	Council Member. ....	Jan 2018
April Verwers.....	Council Member. ....	Jan 2016
Tim Pitt. ....	Council Member. ....	Jan 2016
Harold Stewart.....	City Manager.....	Indefinite
Heather Ussery.....	City Clerk. ....	Indefinite
Jodi Bassett. ....	Deputy Clerk/Admin. Assistant.. ....	Indefinite
Robert Stuyvesant. ....	Attorney.....	Indefinite

**City of Knoxville**



# MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

4949 Pleasant Street, Suite 104

West Des Moines, Iowa 50266

(515)-223-4841

FAX: (515)-223-0851

## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council:

### **Report on the Financial Statements**

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Knoxville, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This include the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

The financial statements referred to above include only the primary government of the City of Knoxville, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the financial statements do not purport to and do not present fairly, the respective cash basis financial position for the year ended as of June 30, 2014, and the respective changes in cash basis financial position of the City of Knoxville, in conformity with the basis of accounting described in Note 1. A separate audit report is issued by one of the respective component units.

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Knoxville as of June 30, 2014, and the respective changes in the cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Knoxville's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the seven years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those primary government financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 13 and 38 through 40 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014 on our consideration of the City of Knoxville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Knoxville's internal control over financial reporting and compliance.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
December 17, 2014

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The City of Knoxville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 31.2%, or approximately \$3,123,700 from fiscal year 2013 to fiscal year 2014. The City did not issue any general obligation bonds during fiscal year 2014 while \$3,060,000 in bonds and notes were issued during fiscal year 2013. Capital grants, contributions and restricted interest decreased approximately \$265,600, and charges for service decreased approximately \$27,400. Other city tax increased approximately \$356,300, while tax increment financing increased approximately \$112,000.
- Disbursements of the City's governmental activities before payment on refunded bonds increased 19.4%, or approximately \$1,323,900 in fiscal year 2014. Payments for refunding bonds decreased approximately \$1,356,300 while debt service and general government disbursements increased approximately \$633,300 and \$57,300, respectively.
- Receipts of the City's business type activities decreased 23.3%, or approximately \$837,600, primarily due to the approximately \$743,300 decrease in sewer revenue bond proceeds received during fiscal year 2014 compared to fiscal year 2013. Capital grants, contributions and restricted interest increased approximately \$18,000.
- Disbursements for business type activities decreased 18.5%, or approximately \$553,600, due to refunded bond payments.
- The City's total cash basis net position decreased 8.5% or approximately \$926,600, from June 30, 2013 to June 30, 2014. Of this amount, the net position of the governmental activities decreased approximately \$1,100,300 and net position of the business type activities increased approximately \$173,700.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.



Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about nonmajor governmental and Internal Service funds, capital project funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system and municipal airport. These activities are financed primarily by user fees and related charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. The government fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the airport and the sanitary sewer operations. The Sanitary Sewer Fund is considered to be a major fund of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliation between the government-wide financial statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities has decreased from a year ago, decreasing from approximately \$6.559 million to \$5.459 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 902,534	\$ 929,980
Operating grants, contributions and restricted interest	825,006	783,081
Capital grants, contributions and restricted interest	128,245	393,837
General receipts:		
Property	3,086,301	2,829,042
Tax increment financing	354,277	242,252
Other city tax	1,576,472	1,220,128
Unrestricted interest on investments	6,352	5,293
General obligation refunding bond proceeds	-	3,360,000
Sale of capital assets	-	146,685
Other general receipts	18,988	111,575
Total receipts	<u>6,898,175</u>	<u>10,021,873</u>
Disbursements:		
Public safety	1,888,587	1,835,151
Public works	707,469	845,668
Culture and recreation	1,085,818	1,053,102
Community and economic development	194,795	222,805
General government	568,651	511,335
Debt service	1,511,847	878,514
Capital projects	2,192,714	1,479,394
Refunded bond payments	-	1,356,335
Total disbursements	<u>8,149,881</u>	<u>8,182,304</u>

Change in cash basis net position before transfers	(1,251,706)	1,839,569
Transfers, net	<u>151,420</u>	<u>(221,758)</u>
Change in cash basis net position	(1,100,286)	1,617,811
Cash basis net position beginning of year	<u>6,559,225</u>	<u>4,941,414</u>
Cash basis net position end of year	<u><u>\$5,458,939</u></u>	<u><u>\$6,559,225</u></u>

The City's total receipts for governmental activities decreased by 31.2% or approximately \$3,123,700. The total cost of all programs and services including refunded bond payments decreased approximately \$32,400 or 0.4% with no new programs added this year. The change in receipts is primarily attributable to a decrease in general obligation refunding bond proceeds of approximately \$3,360,000. The major changes in disbursements were due to an increase in payments for capital projects in fiscal year 2014 and no refunded bond payments.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$2,450,892	\$2,622,686
Capital grants, contributions and restricted interest	111,843	93,870
General receipts:		
Unrestricted interest on investments	1,498	1,691
Sewer revenue bond proceeds	132,291	875,580
Miscellaneous	<u>59,707</u>	<u>-</u>
Total receipts	<u>2,756,231</u>	<u>3,593,827</u>
Disbursements:		
Sewer	2,228,960	2,745,141
Airport	<u>202,142</u>	<u>239,536</u>
Total disbursements	<u>2,431,102</u>	<u>2,984,677</u>
Change in cash basis net position before transfers	325,129	609,150
Transfers, net	<u>(151,420)</u>	<u>221,758</u>
Change in cash basis net position	173,709	830,908
Cash basis net position beginning of year	<u>4,296,983</u>	<u>3,466,075</u>
Cash basis net position end of year	<u><u>\$4,470,692</u></u>	<u><u>\$4,296,983</u></u>

The total business type activities cash balance increased \$173,709 from the prior year to a year end balance of approximately \$4,470,700. The increase in the cash balance was due primarily to the winding down of sewer construction projects.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Knoxville completed the year, its governmental funds reported a combined fund balance of \$4,777,530, a decrease of \$1,082,700 over last year's total of \$5,860,200. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$426,359 from the prior year to a year-end balance of \$876,494. Property tax receipts increased approximately \$136,000, partially due to a 2% increase in valuations. Disbursements increased approximately \$210,300.
- The Special Revenue, Road Use Tax Fund cash balance increased approximately \$94,100 to a year-end balance of \$184,204, due primarily to decreased disbursements.
- The Special Revenue, Local Option Sales Tax (LOST) Fund cash balance increased approximately \$264,900 to a year-end balance of \$523,018. The increase is due to decreased funds used for capital projects.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased approximately \$13,400 to a year-end balance of \$5,516. Tax increment financing receipts increased \$111,000 and disbursements increased \$103,400 due to increased debt service payments.
- The Debt Service Fund cash balance increased approximately \$172,700 to a year-end balance of \$98,871. Property taxes increased approximately \$183,600.
- The Capital Projects Fund cash balance decreased approximately \$2,033,000 to a year-end balance of \$2,182,332. Disbursements increased approximately \$1,764,200 due to completion of the street scape project. Bond and note proceeds decreased approximately \$3,360,000.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Sewer Fund cash balance increased approximately \$138,200 to a year-end balance of \$4,033,805. Operating disbursements decreased approximately \$516,200, primarily due to reduced costs in constructing improvements and extensions to the municipal sanitary sewer system. In addition, operating receipts decreased approximately \$171,800. The current year bond proceeds were primarily from the State Revolving Fund.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its operating budget once. The amendment was approved on April 21, 2014 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$404,398 less than budgeted. Property taxes were \$38,048 less than budgeted, other city taxes were \$178,044 more than budgeted and charges for services were \$314,463 more than budgeted. Intergovernmental receipts were \$712,528 less than budgeted and uses of money and property were \$80,951 less than budgeted.

Total disbursements were approximately \$1,720,600 less than budgeted. However, the City exceeded the budget for the public works and debt service function for the year ended June 30, 2014. Actual disbursements were less than budgeted for the public safety, culture and recreation, community and economic development, general government, capital projects and business type activities functions by approximately \$83,000, \$359,300, \$336,600, \$72,300 and \$817,300, respectively.

#### **DEBT ADMINISTRATION**

At June 30, 2014, the City had \$15,536,460 in bonds, notes and other long-term debt outstanding, compared to \$17,943,765 last year. The chart below segregates the City's debt into its component parts.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30	
	2014	2013
General obligation bonds	\$ 6,150	\$ 6,940
General obligation capital loan notes	1,360	1,520
Sewer revenue bonds	7,985	9,484
Capital lease	41	-
Total	<u>\$ 15,536</u>	<u>\$ 17,944</u>

The City's general obligation bond rating carries an A-2 rating and the sewer revenue bonds rating carries an A-1 rating, a rating that has been assigned by National Rating Agencies to the City's debt. Debt changed as a result of the issuance of additional draw downs on the sewer series 2010A revenue bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$7,779,430 (including \$269,430 of development and rebate agreements) is below its constitutional debt limit of approximately \$15 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 4.0% versus 5.6% a year ago. This compares with the State's unemployment rate of 5.5 and the national rate of 8.0%.

The U.S. Consumer Price Index (CPI) is a measure of the change in retail prices of a fixed market grouping of consumer goods and services. The CPI-U for July 2013 was 229.923. For the 12 month period that ended in July, 2014 the CPI-U increased 1.20 percent.

The fiscal year 2015 levy is \$15.89683 per \$1,000 of taxable valuation. The City has reached its General Fund levy limit of \$8.10 per \$1,000 of taxable valuation. There was no emergency fund levy for fiscal year 2015. Special Revenue Fund levies have long been in place to support employee benefit costs.

These parameters were taken into account when adopting the budget for fiscal year 2015.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Harold Stewart, City Manager, 305 S. Third Street, Knoxville, IA 50138.

**City of Knoxville**

## **Basic Financial Statements**

**CITY OF KNOXVILLE**

**Cash Basis Statement of Activities and Net Position**

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 1,888,587	\$ 518,891	\$ 27,140	\$ -
Public works	707,469	11,818	730,231	-
Culture and recreation	1,085,818	324,835	67,635	-
Community and economic development	194,795	30,199	-	-
General government	568,651	16,791	-	-
Debt service	1,511,847	-	-	-
Capital projects	2,192,714	-	-	128,245
Total governmental activities	<u>8,149,881</u>	<u>902,534</u>	<u>825,006</u>	<u>128,245</u>
Business type activities:				
Sanitary sewer	2,228,960	2,372,887	-	-
Airport	202,142	78,005	-	111,843
Total business type activities	<u>2,431,102</u>	<u>2,450,892</u>	<u>-</u>	<u>111,843</u>
Total	<u>\$ 10,580,983</u>	<u>\$3,353,426</u>	<u>\$825,006</u>	<u>\$240,088</u>
<b>General receipts and transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Special assessments				
Tax increment financing				
Other city tax				
Unrestricted interest on investments				
Sewer revenue bonds proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position, beginning of year				
Cash basis net position, end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Local option sales tax				
Urban renewal purposes				
Debt service				
Capital projects				
Senior Citizen Center				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.



Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (1,342,556)	\$ -	\$(1,342,556)
34,580	-	34,580
(693,348)	-	(693,348)
(164,596)	-	(164,596)
(551,860)	-	(551,860)
(1,511,847)	-	(1,511,847)
(2,064,469)	-	(2,064,469)
(6,294,096)	-	(6,294,096)
-	143,927	143,927
-	(12,294)	(12,294)
-	131,633	131,633
(6,294,096)	131,633	(6,162,463)
2,350,109	-	2,350,109
732,022	-	732,022
4,170	-	4,170
354,277	-	354,277
1,576,472	-	1,576,472
6,352	1,498	7,850
-	132,291	132,291
18,988	59,707	78,695
151,420	(151,420)	-
5,193,810	42,076	5,235,886
(1,100,286)	173,709	(926,577)
6,559,225	4,296,983	10,856,208
\$ 5,458,939	\$ 4,470,692	\$ 9,929,631
\$ 255,777	\$ -	\$ 255,777
184,204	-	184,204
523,018	-	523,018
5,516	-	5,516
98,871	808,960	907,831
2,195,798	-	2,195,798
163,777	-	163,777
659,363	-	659,363
1,372,615	3,661,732	5,034,347
\$ 5,458,939	\$ 4,470,692	\$ 9,929,631

**CITY OF KNOXVILLE**

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
*Governmental Funds*

As of and for the year ended June 30, 2014

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$1,524,871	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	354,277
Other City tax	783,396	-	753,295	-
Licenses and permits	29,897	-	-	-
Use of money and property	50,063	-	-	360
Intergovernmental	84,281	730,231	-	-
Charges for service	872,637	-	-	-
Special assessments	7,693	-	-	-
Miscellaneous	130,109	4,588	-	-
Total receipts	3,482,947	734,819	753,295	354,637
Disbursements:				
Operating:				
Public safety	1,444,346	-	-	-
Public works	54,097	640,686	-	-
Culture and recreation	937,272	-	-	-
Community and economic development	169,562	-	-	-
General government	405,061	-	-	-
Debt service	-	-	-	368,052
Capital projects	-	-	122,328	-
Total disbursements	3,010,338	640,686	122,328	368,052
Excess (deficiency) of receipts over (under) disbursements	472,609	94,133	630,967	(13,415)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(46,250)	-	(366,056)	-
Total other financing sources (uses)	(46,250)	-	(366,056)	-
Change in cash balances	426,359	94,133	264,911	(13,415)
Cash balances, beginning of year	450,135	90,071	258,107	18,931
Cash balances, end of year	\$ 876,494	\$ 184,204	\$ 523,018	\$ 5,516
<b>Cash Basis Fund Balances</b>				
Non spendable	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Senior Citizen Center	163,777	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	523,018	5,516
Unassigned	712,717	184,204	-	-
Total cash basis fund balances	\$ 876,494	\$ 184,204	\$ 523,018	\$ 5,516

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
\$ 732,022	\$ -	\$ 651,898	\$ 2,908,791
-	-	-	354,277
20,768	-	19,013	1,576,472
-	-	-	29,897
-	28	270	50,721
-	11,000	-	825,512
-	-	-	872,637
-	-	-	7,693
-	117,217	15,816	267,730
752,790	128,245	686,997	6,893,730
-	-	394,959	1,839,305
-	-	77,058	771,841
-	-	133,002	1,070,274
-	-	24,251	193,813
-	-	53,115	458,176
1,143,795	-	-	1,511,847
-	2,160,298	-	2,282,626
1,143,795	2,160,298	682,385	8,127,882
(391,005)	(2,032,053)	4,612	(1,234,152)
563,726	-	-	563,726
-	-	-	(412,306)
563,726	-	-	151,420
172,721	(2,032,053)	4,612	(1,082,732)
(73,850)	4,214,385	902,483	5,860,262
\$ 98,871	\$2,182,332	\$ 907,095	\$ 4,777,530
\$ -	\$ -	\$ 255,777	\$ 255,777
-	-	-	163,777
98,871	-	-	98,871
-	2,195,798	659,363	3,383,695
-	(13,466)	(8,045)	875,410
\$ 98,871	\$2,182,332	\$ 907,095	\$ 4,777,530

## CITY OF KNOXVILLE

Reconciliation of the Statement of Cash Receipts,  
Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
*Governmental Funds*

As of and for the year ended June 30, 2014

**Total governmental funds cash balances (pages 18-19)** \$ 4,777,530

***Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health and property insurance and equipment and building replacement to individual funds. A portion of the cash balance of the Internal Service Funds are included in governmental activities in the Cash Basis Statement of Activities and Net Position.

601,409

**Cash basis net position of governmental activities (pages 16 -17)** \$ 5,458,939

**Change in cash balances (pages 18-19)** (1,082,732)

***Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of health and property insurance and equipment and building replacement to individual funds. A portion of the change in cash balance of the Internal Service Fund is reported with government activities in the cash basis statement of activities and net position.

(17,554)

**Change in cash basis net position of governmental activities (pages 16-17)** \$ (1,100,286)

See notes to financial statements.

## CITY OF KNOXVILLE

Statement of Cash Receipts, Disbursements and  
Changes in Cash Balances  
*Proprietary Funds*

As of and for the year ended June 30, 2014

	Enterprise			
	Sewer	Nonmajor Airport	Total	Internal Service
Operating receipts:				
Charges for service	\$ 2,372,887	\$ 78,005	\$2,450,892	\$ 262,848
Total operating receipts	2,372,887	78,005	2,450,892	262,848
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	49,282
Public works	-	-	-	38,348
Culture and recreation	-	-	-	15,544
Community and economic development	-	-	-	982
General Government	-	-	-	142,725
Business type activities:	1,052,326	98,625	1,150,951	36,452
Total operating disbursements	1,052,326	98,625	1,150,951	283,333
Excess (deficiency) of operating receipts over (under) operating disbursements	1,320,561	(20,620)	1,299,941	(20,485)
Non-operating receipts (disbursements):				
Intergovernmental	-	111,843	111,843	-
Sale of capital assets	-	-	-	2,318
Interest on investments	1,498	-	1,498	2,127
Miscellaneous	59,707	-	59,707	-
Revenue bond proceeds	132,291	-	132,291	-
Capital projects	(396,471)	(103,517)	(499,988)	-
Debt service	(781,677)	-	(781,677)	-
Net non-operating receipts (disbursements)	(984,652)	8,326	(976,326)	4,445
Excess (deficiency) of receipts over (under) disbursements	335,909	(12,294)	323,615	(16,040)
Transfers:				
Transfers in	-	46,250	46,250	-
Transfers (out)	197,670	-	197,670	-
Net transfers	(197,670)	46,250	(151,420)	-
Change in cash balances	138,239	33,956	172,195	(16,040)
Cash balances, beginning of year	3,895,566	(307,569)	3,587,997	1,407,949
Cash balances, end of year	\$ 4,033,805	\$ (273,613)	\$ 3,760,192	\$ 1,391,909
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ 808,960	\$ -	\$ 808,960	\$ -
Unrestricted	3,224,845	(273,613)	2,951,232	1,391,909
Total cash basis fund balances	\$ 4,033,805	\$ (273,613)	\$ 3,760,192	\$ 1,391,909

See notes to financial statements.

## CITY OF KNOXVILLE

Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
*Proprietary Funds*

As of and for the year ended June 30, 2014

**Total enterprise funds cash balances (page 21)** \$ 3,760,192

*Amounts reported for business type activities in the Cash Basis Statement of  
Activities and Net Position are different because:*

The Internal Service Funds are used by management to charge the costs of partial self funding of the City's health and property insurance and equipment and building replacement to individual funds. A portion of the cash balance of the Internal Service Funds is included in business type activities in the Cash Basis Statement of Activities and Net Position.

710,500

**Cash basis net assets of business type activities (pages 16 -17)** \$ 4,470,692

**Change in cash balances (page 21)** \$ 172,195

*Amounts reported for business type activities in the Cash Basis Statement of  
Activities and Net Position are different because:*

The Internal Service Funds are used by management to charge the costs of partial self funding of the City's health and property insurance and equipment and building replacement to individual funds. A portion of the change in cash balance of the Internal Service Funds is included in business type activities in the Cash Basis Statement of Activities and Net Position.

1,514

**Change in cash basis net position of business type activities (pages 16 - 17)** \$ 173,709

See notes to financial statements.

# **CITY OF KNOXVILLE**

## **Notes to Financial Statements**

June 30, 2014

### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Knoxville is a political subdivision of the State of Iowa located in Marion County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer utilities and airport services for its citizens.

#### **A. Reporting Entity**

Except as discussed below, for financial reporting purposes, the City of Knoxville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Knoxville (the primary government) and exclude some of the City's component units. The component units discussed below are not included in the City's reporting entity although their operational or financial relationship with the City is significant.

#### **Excluded Component Units**

The Knoxville Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The Municipal Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

The Fire/Rescue Association of Knoxville, Iowa was established under Chapter 504 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The Association's Board of Trustees shall be a minimum of three and not more than seven in number.

## CITY OF KNOXVILLE

### Notes to Financial Statements - Continued

June 30, 2014

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Marion County Assessor's Conference Board, Marion County Emergency Management Commission, Marion County Joint E911 Service Board, Marion County/Warren County Drug Task Force, Marion County for Public Safety Dispatch and Communications Operation and Central Iowa Regional Transportation Planning Alliance.

##### Related Organization

The City Council members are also responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

#### B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

*Expendable restricted net position* result when constraints placed the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.



## CITY OF KNOXVILLE

### Notes to Financial Statements - Continued

June 30, 2014

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax and related construction projects authorized by the local option sales tax resolution.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

The Enterprise Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

## CITY OF KNOXVILLE

### Notes to Financial Statements - Continued

June 30, 2014

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City also reports the following proprietary funds:

The Airport Fund accounts for the operation and maintenance of the City's airport system.

Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

##### C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

##### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

## CITY OF KNOXVILLE

### Notes to Financial Statements - Continued

June 30, 2014

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public works and debt service functions.

#### (2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,159,036 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in Iowa Public Agency Investment Trust is unrated.

#### (3) BONDS AND NOTES PAYABLE

The following is a summary of the changes in the outstanding long-term debt of the City for the year ended June 30, 2014:

	Balance June 30, 2013	Issued	Redeemed	Balance June 30, 2014
Governmental activities:				
General obligation bonds	\$ 6,940,000	\$ -	\$ 790,000	\$ 6,150,000
General obligation notes	1,520,000	-	160,000	1,360,000
Ambulance Capital Lease	-	61,130	19,670	41,460
Total	\$ 8,460,000	\$ 61,130	\$ 969,670	\$7,551,460
Business type activities:				
Revenue bonds	\$ 9,483,765	\$ 132,291	\$1,631,056	\$ 7,985,000
Total	\$17,943,765	\$ 193,421	\$2,600,726	\$15,536,460

Interest rates range from .45% to 3.00% on the general obligation bonds and notes. The revenue bond interest rates are from 2.75% to 4.85%. The City paid \$472,614 in interest on debt obligations for the year ended June 30, 2014.

# CITY OF KNOXVILLE

## Notes to Financial Statements - Continued

June 30, 2014

### (3) BONDS AND NOTES PAYABLE - CONTINUED

Debt service requirements for general obligations, capital loan notes and revenue bonds are as follows:

Year Ending June 30,	Bonds		General Obligation Capital Loan Notes		Sewer Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 800,000	\$ 94,230	\$ 155,000	\$ 46,226	\$ 820,000	\$ 305,723	\$ 1,775,000	\$ 446,179
2016	715,000	87,005	210,000	40,421	495,000	288,997	1,420,000	416,423
2017	735,000	79,940	220,000	33,001	510,000	270,998	1,465,000	383,939
2018	745,000	70,245	220,000	25,111	397,000	252,472	1,362,000	347,828
2019	765,000	60,432	235,000	17,146	411,000	236,438	1,411,000	314,016
2020-2024	2,390,000	109,583	320,000	22,008	2,401,000	911,352	5,111,000	1,042,943
2025-2029	-	-	-	-	2,586,000	348,900	2,586,000	348,900
2030-2031	-	-	-	-	365,000	16,500	365,000	16,500
	<u>\$6,150,000</u>	<u>\$501,435</u>	<u>\$1,360,000</u>	<u>\$183,913</u>	<u>\$7,985,000</u>	<u>\$2,631,380</u>	<u>\$15,495,000</u>	<u>\$3,316,728</u>

#### Sewer Revenue Bonds

On February 16, 2010, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, Iowa N.A. for the issuance of \$2,756,000 of sewer revenue bonds with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of Code of Iowa and the American Recovery and Reinvestment Act of 2009 for the purpose of providing funds to pay a portion of the costs of constructing improvements and extensions to the municipal sanitary sewer system of the City. The City will draw down funds from the Trustee upon request to reimburse the City for costs as they are incurred. An initiation fee of 1%, or \$27,560, of the authorized borrowing for the sewer revenue bonds was charged by the Iowa Finance Authority and withheld during the year ended June 30, 2010. During the year ended June 30, 2014, the City had drawn down to a final loan amount of \$2,216,056 of the authorized amount. A final repayment schedule has been adopted. During the year ended June 30, 2014, the City paid \$16,056 principal and \$65,523 of interest on these bonds.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$10,826,000 of sewer revenue bonds issued in December 2008, February 2010 and March 2010. Proceeds from the bonds provided financing for the construction of improvements to the municipal sanitary sewer system of the City and refunded the City's outstanding Series 2002 sewer revenue bonds. The bonds are payable solely from sewer customer net receipts and are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 50% of net receipts. The total principal and interest remaining to be paid on the bonds is \$10,616,380. For the current year, principal and interest paid and total customer net receipts were \$781,164 and \$1,337,142 respectively.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.

## CITY OF KNOXVILLE

### Notes to Financial Statements - Continued

June 30, 2014

#### (3) BONDS AND NOTES PAYABLE - CONTINUED

- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) Additional monthly transfers shall be made to a sewer revenue reserve account until a specific minimum balances has been accumulated. This account is restricted for the purpose of paying, at maturity, principal or interest on the bonds when insufficient money shall be available in the sinking account.
- (d) Sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the average annual installments or principal and interest on the bonds falling due in the same year.

#### Forgivable Loan

On February 16, 2010, the City also entered into a forgivable loan agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, Iowa N.A. for the issuance of \$1,170,000 of sewer revenue bonds. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa and the American Recovery and Reinvestment Act of 2009 (ARRA) for the purpose of providing funds to pay a portion of the costs of constructing improvements and extensions to the municipal sanitary sewer system of the City. The requirements of ARRA, including, but not limited to, satisfaction of applicable timing requirements, were met and the loan was forgiven.

The Issuer provided written notification to the Participant of the forgiveness of the Loan.

#### Revenue Note

On June 22, 2012 the City entered into an agreement for a \$375,000 sewer revenue loan and disbursement agreement anticipation project note for the purpose of paying authorized costs in connection with planning and design improvements and extensions of the municipal sanitary sewer system, payable at maturity, three years from issuance date. The City has drawn down \$340,000 on the loan as of June 30, 2014.

#### Capital Lease

A capital lease with Community First National Bank for the purchase of an ambulance was taken out for \$61,130 on August 13, 2012 with annual payments of \$21,840 at 3.5% interest rate.

<u>June 30</u>	
2015	21,840
2016	<u>21,840</u>
Total minimum lease payments	43,680
Less amounts representing interest	<u>(2,220)</u>
Present value of net minimum capital lease payments	<u>41,460</u>

## CITY OF KNOXVILLE

### Notes to Financial Statements - Continued

June 30, 2014

#### (4) PENSION AND RETIREMENT BENEFITS

##### Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$133,966, \$110,421 and \$100,520, respectively, equal to the required contributions for each year.

##### Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, West Des Moines, Iowa 50263.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, can not be less than 30.12% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2014, 2013, and 2012 were \$194,529, \$157,131, and \$143,063, respectively, which met the required contribution for each year.

#### (5) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 38 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$349 for single coverage and \$651 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$566,587 and plan members eligible for benefits contributed \$45,179 to the plan.

## CITY OF KNOXVILLE

### Notes to Financial Statements - Continued

June 30, 2014

#### (6) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensation hours for subsequent use or for payment upon termination, retirement, or death. City employees may also accumulate a limited amount of earned but unused sick leave hours for payment of subsequent health benefit costs upon retirement. The City also allows employees to accumulate compensatory time during the fiscal year in lieu of overtime pay. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned holiday, vacation, sick leave and compensatory time payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 91,373
Sick leave	657,810
Compensatory time	<u>55,300</u>
Total	<u>\$ 804,483</u>

This liability has been computed based on rates of pay as of June 30, 2014.

#### (7) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise:	
Debt Service	Sewer	\$ 197,670
	Special Revenue:	
	LOST	366,056
Enterprise:	General	<u>46,250</u>
Airport		
Total		<u>\$ 609,976</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

## CITY OF KNOXVILLE

### Notes to Financial Statements - Continued

June 30, 2014

#### **(8) RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$122,220.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.



## CITY OF KNOXVILLE

### Notes to Financial Statements - Continued

June 30, 2014

#### **(8) RISK MANAGEMENT - CONTINUED**

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, employee blanket bond and aviation liability the amount of \$1,000,000, \$100,000 and \$2,000,000, respectively. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(9) DEFICIT BALANCES**

The City had deficit balances at June 30, 2014 as follows:

<u>Fund</u>	<u>Amount</u>
Enterprise:	
Airport	\$273,613
Governmental:	
Special Revenue:	
K-9 Unit Program	8,045

#### **(10) CONSTRUCTION CONTRACTS**

At June 30, 2014, the City had entered into construction contracts of approximately \$7,504,000 for various projects. At June 30, 2014 these projects will require future payments of approximately \$5,302,000 upon completion.

#### **(11) ECONOMIC DEVELOPMENT LOAN**

On February 2, 2000, the City loaned \$15,000 to the Knoxville Chamber of Commerce to assist in funding a local business expansion. The interest free loan is to be repaid over five years. During the year ended June 30, 2014 \$3,000 was received on the loan. The loan balance at June 30, 2014 was \$3,000.

## **CITY OF KNOXVILLE**

### **Notes to Financial Statements - Continued**

June 30, 2014

#### **(12) COMMUNITY ECONOMIC BETTERMENT ACCOUNT LOAN**

On June 19, 2008 the City was awarded a \$90,000 Community Economic Betterment Account loan on behalf of Five Star Industries, Inc., from the Iowa Department of Economic Development (IDED). The loan consists of a \$45,000 conventional interest free loan and a \$45,000 forgivable loan. Repayment of the conventional loan is to be made in 60 equal monthly payments of \$750, with the first payment due on June 1, 2009. Payments are made directly to IDED by Five Star Industries, Inc. The balance outstanding on the conventional loan at June 30, 2014 was \$17,250. At the project completion date, if the business has fulfilled at least 50% of its job creation/retention requirement, a pro rate percentage will be forgiven for each new FTE job created/retained at the time the repayment amount is calculated. Any balance will be amortized over a two year period in equal monthly payments, with 6% per annum interest.

#### **(13) DEVELOPMENT AND REBATE AGREEMENTS**

In prior years, the City entered into development and rebate agreements to assist in certain urban renewal projects. The City agreed to rebate incremental property tax paid by the developers in exchange for infrastructure improvements, rehabilitation and development of commercial projects constructed by the developers as set forth in the urban renewal plan and the individual development and rebate agreements. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for a period ranging from ten to twenty years, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. Certain agreements include provisions for payment of interest.

During the year ended June 30, 2014, the City rebated \$337,054 of incremental property tax to the developers, consisting of \$321,779 for principal and \$15,275 for interest. The outstanding principal balance on these agreements at June 30, 2014 is \$2,778,002.

No bonds or notes were issued for these projects. To the extent there is insufficient incremental property tax available on any payment date to make the required scheduled payment, the unpaid amount shall be carried over to the next payment date without accruing any further interest.

These agreements are not a general obligation of the City. However, the debt payment in the succeeding year on one agreement with an annual appropriation clause and all of the amounts to be rebated for the remaining agreements are subject to the constitutional debt limitation of the City.

#### **(14) EMPLOYEE HEALTH INSURANCE PLAN**

The City maintains a high deduction health insurance policy for their employees through Wellmark Insurance. Total premiums for year ending June 30, 2014 were \$203,460 of which \$158,281 was paid by the City and \$45,179 paid by the employees. Single coverage has a \$5,000 deductible and family is \$10,000.

The City subsidizes 90% of the employee's deductible after the employee pays 10%. The City's liability is a maximum \$4,500 per single coverage and \$9,000 per family coverage. The City pays Group Services Inc. to administer the subsidy. The City paid Group Services Inc. \$133,000 in the year ended June 30, 2014 to pay the City's subsidy obligation. The City also paid Group Services Inc. \$8,307 to administer the claims for subsidy.

## **CITY OF KNOXVILLE**

### **Notes to Financial Statements - Continued**

June 30, 2014

#### **(15) SEVERANCE AGREEMENT**

Effective March 30, 2011, the City entered into an agreement with the City Manager which formally identifies the financial obligation of the City to its City Manager in the event of an employment termination.

The City Manager will serve at the will of the Council and may be terminated with or without cause at any time. Any of the following will constitute termination with cause and would result in no severance:

- a. Willful neglect of duty.
- b. Gross inefficiency or incompetence in office that is not corrected after a reasonable written notice.
- c. Malfeasance in office.

Should the City terminate the employment of the City Manager without cause, the City Manager will receive six months severance pay and benefits.

If the City Manager decides to terminate employment, the City Manager will provide the City a minimum of 45 days notice of his intent to terminate.

#### **(16) SUBSEQUENT EVENTS**

The city has evaluated subsequent events through December 17, 2014, the date the financial statements were available to be issued.

#### **(17) PROSPECTIVE ACCOUNTING CHANGE**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

**City of Knoxville**

## **Other Information**

# CITY OF KNOXVILLE

## Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Other Information Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to Be Budgeted	Total
Receipts:				
Property tax	\$ 2,908,791	\$ -	\$ -	\$ 2,908,791
Tax increment financing	354,277	-	-	354,277
Other city tax	1,576,472	-	-	1,576,472
Licenses and permits	29,897	-	-	29,897
Uses of money and property	50,721	3,625	2,127	52,219
Intergovernmental	825,512	111,843	-	937,355
Charges for service	872,637	2,713,740	262,848	3,323,529
Special assessments	7,693	-	-	7,693
Miscellaneous	267,730	59,707	-	327,437
Total receipts	<u>6,893,730</u>	<u>2,888,915</u>	<u>264,975</u>	<u>9,517,670</u>
Disbursements:				
Public safety	1,839,305	49,282	49,282	1,839,305
Public works	771,841	38,348	38,348	771,841
Culture and recreation	1,070,274	15,544	15,544	1,070,274
Community and economic development	193,813	982	982	193,813
General government	458,176	142,725	142,725	458,176
Debt service	1,511,847	-	-	1,511,847
Capital projects	2,282,626	-	-	2,282,626
Business type activities	-	2,469,068	36,452	2,432,616
Total disbursements	<u>8,127,882</u>	<u>2,715,949</u>	<u>283,333</u>	<u>10,560,498</u>
Excess (deficiency) of receipts over (under) disbursements	(1,234,152)	172,966	(18,358)	(1,042,828)
Other financing sources, net	<u>151,420</u>	<u>(16,811)</u>	<u>2,318</u>	<u>132,291</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing sources	(1,082,732)	156,155	(16,040)	(910,537)
Balances beginning of year	<u>5,860,262</u>	<u>4,995,946</u>	<u>1,407,949</u>	<u>9,448,259</u>
Balances end of year	<u><u>\$4,777,530</u></u>	<u><u>\$5,152,101</u></u>	<u><u>\$1,391,909</u></u>	<u><u>\$ 8,537,722</u></u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 2,946,839	\$ 2,946,839	\$ (38,048)
359,000	359,000	(4,723)
1,398,428	1,398,428	178,044
42,825	42,825	(12,928)
128,030	133,170	(80,951)
2,025,790	1,649,883	(712,528)
3,001,466	3,009,066	314,463
9,500	9,500	(1,807)
272,107	373,357	(45,920)
10,183,985	9,922,068	(404,398)
2,015,578	2,015,578	176,273
688,822	688,822	(83,019)
1,429,570	1,429,570	359,296
530,431	530,431	336,618
530,510	530,510	72,334
1,107,814	1,107,814	(404,033)
561,484	2,728,377	445,751
3,249,957	3,249,957	817,341
10,114,166	12,281,059	1,720,561
69,819	(2,358,991)	1,316,163
-	132,291	-
69,819	(2,226,700)	1,316,163
5,192,596	12,951,638	(3,503,379)
\$ 5,262,415	\$10,724,938	\$(2,187,216)

## **CITY OF KNOXVILLE**

### **Notes To Other Information - Budgetary Reporting**

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the internal service funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,166,893. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public works and debt service functions.



## **Supplementary Information**

**CITY OF KNOXVILLE**

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Employee Benefits- Health	Police Retirement	Urban Revitalization	Revolving Loan	Self- Supported Municipal Improvement District
Receipts:					
Property tax	\$461,787	\$174,108	\$ -	\$ -	\$ 16,003
Other city tax	13,807	5,206	-	-	-
Use of money and property	19	73	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	<u>475,613</u>	<u>179,387</u>	<u>-</u>	<u>-</u>	<u>16,003</u>
Disbursements:					
Operating:					
Public safety	181,040	195,908	-	-	-
Public works	77,058	-	-	-	-
Culture and recreation	131,976	-	-	-	-
Community and economic development	9,175	-	-	-	15,076
General government	53,115	-	-	-	-
Total disbursements	<u>452,364</u>	<u>195,908</u>	<u>-</u>	<u>-</u>	<u>15,076</u>
Excess (deficiency) of receipts over (under) disbursements	23,249	(16,521)	-	-	927
Cash balances beginning of year	<u>112,388</u>	<u>335,759</u>	<u>3,906</u>	<u>115,745</u>	<u>299</u>
Cash balances end of year	<u>\$135,637</u>	<u>\$319,238</u>	<u>\$ 3,906</u>	<u>\$115,745</u>	<u>\$ 1,226</u>
<b>Cash Basis Fund Balances</b>					
Nonspendable:					
Cemetery Perpetual Care	\$ -	\$ -	\$ -	\$ -	\$ -
Reaver Trust	-	-	-	-	-
Restricted for Other purposes	135,637	319,238	3,906	115,745	1,226
Unassigned	-	-	-	-	-
Total cash basis fund balances	<u>\$135,637</u>	<u>\$319,238</u>	<u>\$ 3,906</u>	<u>\$115,745</u>	<u>\$ 1,226</u>

See accompanying independent auditor's reports

Special Revenue						Permanent			Total
Police Department Trust	Fire Rescue Donations	Library Gifts/ Memorials	Recreation Donations	Auld Park Playground Trust	K-9 Unit Program	I-Jobs	Cemetery Perpetual Care	Reaver Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$651,898
-	-	-	-	-	-	-	-	-	19,013
6	4	3	-	39	-	-	126	-	270
4,596	3,312	4,219	-	-	14	-	3,675	-	15,816
4,602	3,316	4,222	-	39	14	-	3,801	-	686,997
16,602	-	-	-	-	1,409	-	-	-	394,959
-	-	-	-	-	-	-	-	-	77,058
-	-	1,026	-	-	-	-	-	-	133,002
-	-	-	-	-	-	-	-	-	24,251
-	-	-	-	-	-	-	-	-	53,115
16,602	-	1,026	-	-	1,409	-	-	-	682,385
(12,000)	3,316	3,196	-	39	(1,395)	-	3,801	-	4,612
24,107	11,224	11,736	4,832	34,070	(6,650)	3,091	251,476	500	902,483
\$12,107	\$14,540	\$14,932	\$4,832	\$34,109	\$(8,045)	3,091	255,277	\$ 500	\$907,095
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$255,277	\$ -	\$255,277
-	-	-	-	-	-	-	-	500	500
12,107	14,540	14,932	4,832	34,109	-	3,091	-	-	659,363
-	-	-	-	-	(8,045)	-	-	-	(8,045)
\$12,107	\$14,540	\$14,932	\$4,832	\$34,109	\$(8,045)	\$3,091	\$255,277	\$ 500	\$907,095

## CITY OF KNOXVILLE

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Internal Service Funds

As of and for the year ended June 30, 2014

	Equipment Replacement	Building Replacement	Self Insurance	Self Insured Property Insurance	Total
Operating receipts:					
Charges for service	\$ 230,598	\$ -	\$ 32,250	\$ -	\$ 262,848
Total operating receipts	<u>230,598</u>	<u>-</u>	<u>32,250</u>	<u>-</u>	<u>262,848</u>
Operating disbursements:					
Governmental activities:					
Public safety	49,282	-	-	-	49,282
Public works	38,348	-	-	-	38,348
Culture and recreation	15,544	-	-	-	15,544
Community and economic development	982	-	-	-	982
General government	2,431	-	139,981	313	142,725
Business type activities:					
Sewer	36,452	-	-	-	36,452
Total operating disbursements	<u>143,039</u>	<u>-</u>	<u>139,981</u>	<u>313</u>	<u>283,333</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	87,559	-	(107,731)	(313)	(20,485)
Non-operating receipts:					
Miscellaneous	2,318	-	-	-	2,318
Interest on investments	233	13	1,881	-	2,127
Total non-operating receipts	<u>2,551</u>	<u>13</u>	<u>1,881</u>	<u>-</u>	<u>4,445</u>
Change in cash balances	90,110	13	(105,850)	(313)	(16,040)
Cash balances beginning of year	<u>1,029,694</u>	<u>90,202</u>	<u>287,740</u>	<u>313</u>	<u>1,407,949</u>
Cash balances end of year	<u>\$1,119,804</u>	<u>\$90,215</u>	<u>\$181,890</u>	<u>\$ -</u>	<u>\$1,391,909</u>
<b>Cash Basis Fund Balances</b>					
Unrestricted	<u>\$1,119,804</u>	<u>\$90,215</u>	<u>\$181,890</u>	<u>\$ -</u>	<u>\$1,391,909</u>

See accompanying independent auditor's reports.

**City of Knoxville**

---

**CITY OF KNOXVILLE**

## Schedule of Indebtedness

Year ended June 30, 2014

---

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate and refunding Series 2010C	Sep 20, 2010	1.40 - 3.00%	\$ 3,640,000
Refunding Series 2013A	May 15, 2013	.85 - 1.80%	1,235,000
General corporate purpose Series 2013A	Jun 19, 2013	.45 - 1.85%	3,360,000
Total			
General obligation capital loan notes:			
Refunding Series 2007A	Sep 19, 2007	3.900- 4.05%	\$ 1,765,000
Sewer improvement Series 2010D	Nov 18, 2010	2.70%	710,000
Total			
Revenue bonds and notes:			
Sewer Series 2008	Dec 10, 2008	4.50 - 4.85%	\$ 5,370,000
Sewer Series 2010A	*Feb 16, 2010	3.00%	2,216,056
Sewer Series 2010 - Forgivable Loan	*Feb 16, 2010	3.00%	1,170,000
Sewer refunding Series 2010B	Mar 18, 2010	2.75 - 3.00%	1,705,000
Sewer SRF Planning and Design Loan	Jun 22, 2012	0.00%	375,000
Total			
Capital lease:			
Ambulance	Aug 13, 2013	6.74	\$ 61,130

\* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

\*\* Loan forgiven (See Note 3)

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 2,345,000	\$ -	\$ 300,000	\$2,045,000	\$ 49,995
1,235,000	-	170,000	1,065,000	15,245
3,360,000	-	320,000	3,040,000	33,022
<u>\$ 6,940,000</u>	<u>-</u>	<u>\$ 790,000</u>	<u>\$ 6,150,000</u>	<u>\$ 98,262</u>
\$ 865,000	\$ -	\$ 130,000	\$ 735,000	\$ 34,388
655,000	-	30,000	625,000	17,686
<u>\$ 1,520,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ 1,360,000</u>	<u>\$ 52,074</u>
\$ 4,870,000	\$ -	\$ 200,000	\$ 4,670,000	\$226,297
2,078,765	132,291	16,056	2,195,000	65,523
1,170,000	-	**1,170,000	-	-
1,025,000	-	245,000	780,000	28,288
340,000	-	-	340,000	-
<u>\$ 9,483,765</u>	<u>\$ 132,291</u>	<u>\$1,631,056</u>	<u>\$ 7,985,000</u>	<u>\$ 320,108</u>
<u>\$ -</u>	<u>\$ 61,130</u>	<u>\$ 19,670</u>	<u>\$ 41,460</u>	<u>\$ 2,170</u>

# CITY OF KNOXVILLE

## Bond and Note Maturities

June 30, 2014

Year Ending June 30,	General Obligation Bonds						
	Series 2010C		Series 2013A		Series 2013A		Total
	Corporate and Refunding		Refunding		Corporate Purpose		
	Issued September 20, 2010		Issued May 15, 2013		Issued June 19, 2013		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2015	1.40%	\$ 310,000	.85%	\$ 170,000	.45%	\$ 320,000	\$ 800,000
2016	1.70	220,000	1.00	170,000	.50	325,000	715,000
2017	1.95	230,000	1.20	175,000	.70	330,000	735,000
2018	2.25	235,000	1.40	180,000	.85	330,000	745,000
2019	2.50	245,000	1.60	185,000	1.00	335,000	765,000
2020	2.65	255,000	1.80	185,000	1.20	340,000	780,000
2021	2.80	270,000	-	-	1.50	345,000	615,000
2022	3.00	280,000	-	-	1.70	355,000	635,000
2023	-	-	-	-	1.85	360,000	360,000
Total		\$ 2,045,000		\$ 1,065,000		\$ 3,040,000	\$ 6,150,000

Year Ending June 30,	Revenue Bonds					
	Series 2008		Series 2010A		Series 2010B	
	Sewer		Sewer		Sewer Refunding	
	Issued December 10, 2008		Issued February 16, 2010		Issued March 18, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	4.50%	\$ 210,000	3.00%	\$ 20,000	2.75%	\$ 250,000
2016	4.50	210,000	3.00	25,000	3.00	260,000
2017	4.50	215,000	3.00	25,000	3.00	270,000
2018	4.50	275,000	3.00	122,000	-	-
2019	4.50	285,000	3.00	126,000	-	-
2020	4.50	305,000	3.00	130,000	-	-
2021	4.55	320,000	3.00	135,000	-	-
2022	4.60	340,000	3.00	139,000	-	-
2023	4.65	360,000	3.00	144,000	-	-
2024	4.70	380,000	3.00	148,000	-	-
2025	4.75	405,000	3.00	153,000	-	-
2026	4.80	430,000	3.00	158,000	-	-
2027	4.80	455,000	3.00	163,000	-	-
2028	4.85	480,000	3.00	168,000	-	-
2029	-	-	3.00	174,000	-	-
2030	-	-	3.00	180,000	-	-
2031	-	-	3.00	185,000	-	-
Total		<u>\$ 4,670,000</u>		<u>\$ 2,195,000</u>		<u>\$ 780,000</u>

See accompanying independent auditor's report.



General Obligation Bonds Capital Loan Notes				
Refunding Series 2007A		Sewer Improvement Series 2010D		
Issued September 19, 2007		Issued November 18, 2010		
Interest		Interest		
Rates	Amount	Rates	Amount	Total
3.90%	\$ 135,000	2.70%	\$ 20,000	\$ 155,000
3.95	140,000	2.70	70,000	210,000
4.00	150,000	2.70	70,000	220,000
4.05	150,000	2.70	70,000	220,000
4.05	160,000	2.70	75,000	235,000
-	-	2.70	75,000	75,000
-	-	2.70	80,000	80,000
-	-	2.70	80,000	80,000
-	-	2.70	85,000	85,000
	<u>\$ 735,000</u>		<u>\$ 625,000</u>	<u>\$1,360,000</u>

Planning and Design Loan		
Issued June 22, 2012		
Interest		
Rates	Amount	Total
- %	\$ 340,000	\$ 820,000
-	-	495,000
-	-	510,000
-	-	397,000
-	-	411,000
-	-	435,000
-	-	455,000
-	-	479,000
-	-	504,000
-	-	528,000
-	-	558,000
-	-	588,000
-	-	618,000
-	-	648,000
-	-	174,000
-	-	180,000
-	-	185,000
	<u>\$ 340,000</u>	<u>\$ 7,985,000</u>

**CITY OF KNOXVILLE**

Schedule of Receipts by Source and Disbursements by Function -  
All Governmental Funds

For the Last Ten Years

	Years ended June 30,				
	2014	2013	2012	2011	2010
<b>Receipts:</b>					
Property tax	\$2,908,791	\$2,822,795	\$2,875,400	\$2,711,600	\$2,611,363
Tax increment financing	354,277	242,252	318,340	320,902	535,285
Other city tax	1,576,472	1,220,128	769,827	871,465	864,232
Licenses and permits	29,897	20,168	42,818	21,320	15,678
Use of money and property	50,721	5,753	3,884	65,552	77,345
Intergovernmental	825,512	999,335	939,941	1,690,173	1,136,792
Charges for service	872,637	909,812	873,937	745,648	639,917
Special assessments	7,693	6,247	2,756	7,433	10,874
Miscellaneous	267,730	286,362	206,141	203,690	380,054
<b>Total</b>	<b>\$6,893,730</b>	<b>\$6,512,852</b>	<b>\$6,033,044</b>	<b>\$6,637,783</b>	<b>\$6,271,540</b>
<b>Disbursements:</b>					
Operating:					
Public safety	\$1,839,305	\$1,744,882	\$1,587,150	\$1,589,674	\$1,506,286
Public works	776,841	787,203	984,298	860,317	783,903
Health and social services	-	-	-	18,477	15,151
Culture and recreation	1,070,274	1,032,710	1,045,852	1,124,962	1,141,093
Community and economic development	193,813	222,805	214,944	55,290	102,266
General government	458,176	506,108	556,329	577,811	503,383
Debt service	1,511,847	878,514	1,376,919	1,246,308	1,974,144
Capital projects	2,282,626	1,579,394	1,632,554	2,759,921	1,334,631
<b>Total</b>	<b>\$8,127,882</b>	<b>\$6,751,616</b>	<b>\$7,398,046</b>	<b>\$8,232,760</b>	<b>\$7,360,857</b>

See accompanying independent auditor's report.

2009	2008	2007	2006	2005
\$2,497,122	\$2,315,591	\$2,170,476	\$2,129,393	\$1,981,319
485,945	436,811	403,700	368,655	390,497
921,047	874,009	945,409	833,292	746,387
25,294	30,932	51,121	49,200	36,614
94,747	156,478	144,598	191,752	48,159
1,082,430	927,964	1,067,614	1,390,093	1,502,408
627,050	552,542	467,204	439,924	467,822
5,231	3,796	-	-	-
411,077	152,616	109,627	101,254	130,398
<u>\$6,149,943</u>	<u>\$5,450,739</u>	<u>\$5,359,749</u>	<u>\$5,503,563</u>	<u>\$5,303,604</u>
\$1,403,437	\$1,278,799	\$1,140,287	\$1,087,731	\$1,173,206
766,763	711,474	667,084	757,366	713,930
12,869	17,776	14,846	14,307	-
1,081,081	973,213	908,901	865,491	963,405
500,686	420,046	274,588	145,002	325,700
498,032	329,067	433,227	417,467	414,694
1,760,500	1,272,801	976,788	2,507,606	913,064
676,191	864,294	867,751	1,479,908	1,059,329
<u>\$6,699,559</u>	<u>\$5,867,470</u>	<u>\$5,283,472</u>	<u>\$7,274,878</u>	<u>\$5,563,328</u>

---

**CITY OF KNOXVILLE**

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Capital Projects

As of and for the year ended June 30, 2014

	Cemetery Roads	Bike Trail Project	GO Bond Projects
Receipts:			
Use of money and property:			
Interest on investments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Miscellaneous	675	-	74,920
Total receipts	<u>675</u>	<u>-</u>	<u>74,920</u>
Disbursements:			
Capital projects	<u>-</u>	<u>-</u>	<u>2,140,819</u>
Total disbursements	<u>-</u>	<u>-</u>	<u>2,140,819</u>
Excess (deficiency) of receipts over (under) disbursements	675	-	(2,065,899)
Cash balances beginning of year	<u>50,805</u>	<u>253,267</u>	<u>3,832,910</u>
Cash balances end of year	<u><u>\$51,480</u></u>	<u><u>\$253,267</u></u>	<u><u>\$1,767,011</u></u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Other purposes	\$51,480	\$253,267	\$1,767,011
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
 Total cash basis fund balances	 <u><u>\$51,480</u></u>	 <u><u>\$253,267</u></u>	 <u><u>\$1,767,011</u></u>

See accompanying independent auditor's reports.

Entrance Signs	2007 CDBG Housing Rehab	2009 CDBG NSP Grant	Capital Project Library	Total
\$ 28	\$ -	\$ -	\$ -	\$ 28
-	-	11,000	-	11,000
157	-	-	41,465	117,217
185	-	11,000	41,465	128,245
-	13,670	-	5,809	2,160,298
-	13,670	-	5,809	2,160,298
185	(13,670)	11,000	35,656	(2,032,053)
3,455	204	16,123	57,621	4,214,385
\$ 3,640	\$ (13,466)	\$ 27,123	\$ 93,277	\$2,182,332
\$ 3,640	\$ -	\$ 27,123	\$ 93,277	\$2,195,798
-	(13,466)	-	-	(13,466)
\$ 3,640	\$ (13,466)	\$ 27,123	\$ 93,277	\$2,182,332



**MARTENS & COMPANY, CPA, LLP**

CERTIFIED PUBLIC ACCOUNTANTS  
4949 Pleasant Street, Suite 104  
West Des Moines, Iowa 50266

(515)-223-4841  
FAX: (515)-223-0851

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Knoxville, Iowa as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the primary government of the City of Knoxville's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the primary government of the City of Knoxville's internal control. Accordingly, we do not express an opinion on the effectiveness of the primary government of the City of Knoxville's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the primary government of the City of Knoxville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items II-A-14 through II-E-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-F-14 through II-I-14 to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the primary government of the City of Knoxville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the primary government of the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## The City of Knoxville's Responses to Findings

The City of Knoxville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Knoxville's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the primary government of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Knoxville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Martens + Company, CPA, LLP*

West Des Moines, Iowa  
December 17, 2014

## **CITY OF KNOXVILLE**

### **Schedule of Findings**

**Year ended June 30, 2014**

#### **Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinion was issued on the primary government financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.



# CITY OF KNOXVILLE

## Schedule of Findings - Continued

Year ended June 30, 2014

### **Part II: Findings Related to the Financial Statements:**

#### **SIGNIFICANT DEFICIENCIES:**

- II-A-14     Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

Recommendation - We realize that segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Response - We will consider this.

Conclusion - Response acknowledged.

- II-B-14     Knoxville Municipal Waterworks -The Waterworks provides billing and collection services for the City's sewer and water fees. The sewer receipts are remitted to the City. The Waterworks provides a reconciliation of billings, collections and receivable balances to the City, but the City does not review the reconciliation.

Recommendation -The City should perform an independent review of the reconciliation of billings, collections and receivable balances for sewer fees received from the Waterworks.

Response - With the increase in staff a monthly reconciliation will be implemented which will be reviewed by the City Manager or his assistant when hired.

Conclusion - Response accepted.

- II-C-14     Recreation Center - One employee is responsible for opening the mail, collecting receipts, recording receipts and preparing the deposit. In addition, an initial listing of receipts is not prepared.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available personnel.

Response - The City has a small full time staff. Will do better in the future with cross training these duties with other staff members.

Conclusion - Response accepted.

## CITY OF KNOXVILLE

### Schedule of Findings - Continued

Year ended June 30, 2014

- II-D-14      Knoxville Senior Citizens Center - One employee is responsible for collecting receipts, recording receipts, deposit preparation, opening mail and disbursements. Also, deposits are not made intact and timely. In addition, an initial listing of receipts is not prepared.

The Knoxville Senior Citizens Center does not prepare accurate financial statements or have an investment register.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the Knoxville Senior Citizens Center should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Additionally, deposits should be made intact and timely.

In addition, the Center should prepare accurate financial statements at the end of each month to reconcile book and bank balances and the reconciliations should be reviewed by an independent person. The Center should also maintain an investment register.

Response - The city will discuss this matter with Senior Center staff to resolve this issue.

Conclusion - The City has not responded to this finding for the last two years. This matter should be resolved as soon as possible.

- II-E-14      Records of Account - The Knoxville Senior Citizens Center and the Knoxville Friends of the Library maintained checking and savings accounts separate from the City Clerk's records. The transactions and the resulting balances were not reported to the City Council each month and the transactions were not recorded in the City Clerk's records. Also, the Knoxville Senior Citizens Center was not included in the City's budget.

In addition, the Recreation Center maintained a checking account separate from the City Clerk's records. The transactions are reported to the City monthly and balances periodically transferred into the City's checking account. However, the balance of the checking account at the end of the fiscal year was not included in the City's records.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." Until the Knoxville Senior Citizen Center and the Knoxville Friends of the Library demonstrate they are legally separate from the City, the monthly financial transactions should be included in the City Clerk's monthly financial reports. Also, the Knoxville Senior Citizens Center and the Knoxville Friends of the Library should be included in the City's budget.

The year end balance of the separate checking account maintained by the Recreation Center should be included in the City's records.

Response - City Manager will discuss this issue with the Library and Senior Center Directors to resolve this issue.

Conclusion - Response accepted.

## CITY OF KNOXVILLE

### Schedule of Findings - Continued

Year ended June 30, 2014

- II-F-14      Electronic Data Processing Systems - During our review of internal control, the existing control activities in the City's computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City's computer-based systems were noted:

The City does not have written policies for:

- A disaster recovery plan.

Recommendation - The City should develop written policies addressing the above items in order to improve the City's internal control over computer-based systems.

Response - The City will look into creating a disaster recovery plan.

Conclusion - Response accepted.

- II-G-14      Travel Disbursements and Payroll of City Officials - The City Manager and other Department heads periodically travel. Travel costs are generally charged to a City credit card. The detailed credit card charges and receipts are not reviewed by anyone to ensure travel disbursements are appropriate.

Recommendation - The City should review travel expenses in enough detail to ensure charges are appropriate.

Response - The monthly credit card statements will be reviewed and signed by the City Manager starting in November, 2014.

Conclusion - Response accepted.

- II-H-14      Deposits and Investments - The City had deposits in one financial institution in excess of the amount approved by resolution as to the maximum approved for the financial institution.

Recommendation - The City either needs to deposit funds in other approved financial institutions when amounts will exceed authorized maximums or pass a resolution to increase the maximum if current maximums are considered too low.

Response - We will monitor the amounts and take the necessary action as approved by the City council.

Conclusion - Response accepted.

### INSTANCES OF NON-COMPLIANCE:

No matters were noted.

## CITY OF KNOXVILLE

### Schedule of Findings - Continued

Year ended June 30, 2014

#### **Part III: Other Findings Related to Required Statutory Reporting:**

III-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget

Response - In the future the City will amend the budget prior to disbursements exceeding budgeted amounts.

Conclusion - Response accepted.

III-B-14 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-14 Travel Expenses - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-14 Business Transactions - No business transactions between the City and City officials or employees were noted.

III-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

III-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council Minutes but were not.

III-G-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

# CITY OF KNOXVILLE

## Schedule of Findings - Continued

Year ended June 30, 2014

III-H-14 Revenue Bonds - No instances of non-compliance with the revenue bond resolutions were noted.

III-I-14 Financial Condition - the City had deficit balances at June 30, 2014 as follows:

<u>Fund</u>	<u>Amount</u>
Enterprises:	
Airport	\$273,613
Governmental:	
Special Revenue:	
K-9 Unit Program	8,045

Recommendation - The City should continue in their efforts of returning these funds to a sound financial position.

Response - The City agrees that deficit fund balances are not desirable. The City will look into why these funds have deficits and make necessary adjustments.

Conclusion - Response accepted.

III-J-14 Urban Renewal Annual Report - The Urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.

The City's beginning and ending cash balances of the special revenue, urban renewal tax increment fund reported on the levy authority summary do not agree with the City's general ledger. Five star TIF interest was not certified.

Recommendation - the City should ensure that the cash balances and debit amounts reported on the levy authority summary agree with the City's records.

Response - These items will be reported on next year's report.

Conclusion - Response accepted.